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12 **UNITED STATES BANKRUPTCY COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**
14 **SAN JOSE DIVISION**

15 In re:

16 **LIGHTHOUSE LODGE, LLC**

17 Debtor-in-Possession.

18 Case No. 09-52610

19 Chapter 11

20 DC No. KDG-10

21 Date: January 6, 2010

22 Time: 10:30 a.m.

23 Place: United States Bankruptcy Court
24 280 S. First Street
25 San Jose, California

26 Judge: Honorable Robert L. Efremsky

27 **SECOND APPLICATION FOR INTERIM COMPENSATION AND**
28 **REIMBURSEMENT OF EXPENSES BY ATTORNEYS FOR DEBTOR**

29 To the Honorable Robert L. Efremsky, United States Bankruptcy Judge:

30 The Second Application for Interim Compensation and Reimbursement of Expenses by
31 Attorneys for Debtor (the "Application") of Klein, DeNatale, Goldner, Cooper, Rosenlieb &
32 Kimball, LLP ("Klein, DeNatale" or "Applicant") respectfully represents:

33 I. **NOTICE.**

34 Notice of the hearing on this Application has been provided pursuant to Federal Rule of
35 Bankruptcy Procedure 2002.

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1 **II. INTRODUCTION.**

2 Klein, DeNatale is a professional law corporation, each of whose attorneys are duly
3 licensed and admitted to practice before this Court. Klein, DeNatale is the attorney for
4 Lighthouse Lodge, LLC, the debtor and debtor in possession in the above-captioned bankruptcy
5 case (the “Debtor”), having been so retained under general retainer by order of this Court
6 authorizing and approving such employment. As such attorney, Klein, DeNatale has performed
7 various legal services for the Debtor, some of the particulars of which are hereinafter set forth.

8 **III. EMPLOYMENT AUTHORIZATION.**

9 On April 14, 2009, this Court entered its Order Authorizing Employment of General
10 Counsel which authorized the Debtor to employ Klein, DeNatale under a general retainer on an
11 hourly basis to provide aid and assistance in the administration of this case, to provided
12 continued representation in all negotiations and proceedings involving creditors and other
13 parties in interest, to prepare and assist in the confirmation of a plan, and to represent Debtor in
14 all other legal aspects of the Chapter 11 case. A copy of this order is attached hereto as **Exhibit**
15 “A” and by this reference incorporated herein.

16 **IV. KLEIN, DENATALE’S ATTORNEYS FEES AND EXPENSES.**

17 Klein, DeNatale seeks approval of its attorneys’ fees and expenses incurred in this
18 Chapter 11 case from July 24, 2009 through November 30, 2009 in the amount of \$19,270.50
19 and \$587.34 respectively.

20 After application of Klein, DeNatale’s Chapter 11 advance retainer of \$0, the net
21 amount prayed for by Klein, DeNatale is \$19,857.84.

22 **V. HISTORY AND PRESENT POSTURE OF CASE.**

23 The Debtor filed its Chapter 11 Case on April 9, 2009 (the “Petition Date”). The
24 Debtor has at all times acted as a debtor in possession. No official committee of unsecured
25 creditors has been appointed in this case.

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A. **GENERAL BACKGROUND.**

The Debtor is a California limited liability company, formed in 1998. In October of 2004, the Debtor amended its operating agreement, wherein Jacci Pflieger was named as the managing member of the Debtor.

The Debtor is a 95-room hotel located in Pacific Grove, California. The Debtor's operation of the hotel generates revenue through guest room bookings, meeting room rentals, food and beverage services, and other guest services such as telephone and Internet use.

As of the Petition Date, the Debtor employed approximately 35 employees. In its last fiscal year, the Debtor realized roughly \$3.2 million in gross revenues. The Debtor's obligations as of the Petition Date consisted of approximately \$8,756,000 in secured debt, \$291,281 in priority unsecured debt and approximately \$5,725,490 in general unsecured debt, owed to more than 175 suppliers and other vendors. Included in the general unsecured debt category is an obligation (disputed in part) owed to Geneva Real Estate (Geneva) in the amount of \$5,511,392. Geneva is an "insider" since it is controlled by one of the Debtor's member's, Carl Miller, who owns a 20% interest in the Debtor.

On September 16, 1998 the Debtor executed a promissory note with Nationsbank, N.A., the predecessor to Orix, in the original principal amount of \$9,300,000 (the "Note"). The Note was secured by a first priority Deed of Trust against the Hotel dated September 16, 1998, and, as noted above, a continuing security interest in the rents and profits and the personality generated and owned by the Debtor. (collectively, the "Loan Documents"). Under the terms of the Loan Documents, Orix, as successor to Nationsbank, N.A., holds a first priority lien against substantially all of the Debtor's real and personal property assets, including rents generated by the operation of the Hotel.

Based upon various events of default under the terms of the Orix Loan Documents, Orix on March 2, 2009, accelerated all amounts due and owing there under.

On March 23, 2009, Orix filed a complaint in the Superior Court of the State of California, Monterey County, seeking specific performance and the appointment of a receiver.

Accordingly, rather than suffer the substantial disruption and harm to both the Debtor's
00567612.000.DOC 3 SECOND APPLICATION FOR INTERIM COMPENSATION AND
REIMBURSEMENT OF EXPENSES BY ATTORNEYS FOR

1 operations and the Debtor's ongoing efforts to sell the hotel, that would result from the
2 installation of a receiver, the Debtor commenced this Chapter 11 case on the Petition Date.

3 **B. DEBTOR'S ASSETS AND LIABILITIES.**

4 (1) The Debtor's Principal Assets: Currently, the Debtor's principal asset
5 are comprised of (i) real property located in Pacific Grove, California, where Debtor operates
6 its hotel, valued at approximately \$18,5000,000.00; (ii) cash on deposit in various bank
7 accounts, totaling more than \$213,400.00 as of the Petition Date; and (iii) accounts receivable
8 in the amount of \$413,541.69 as of the Petition Date, of which \$221,862.55 is uncollectable.

9 (2) The Debtor's Principal Liabilities: As of August 6, 2009, the total
10 scheduled and filed claims are as follows: (i) secured claims: \$8,940,897.97; (ii) priority tax
11 claims: \$236,146.79; and (iii) general unsecured claims: \$5,753,188.98 (of which
12 \$5,511,392.19 is disputed). Of the total asserted claims, \$5,518,874.42 represents the claims of
13 insiders of the Debtor. The actual general unsecured claims may be higher based on the filing
14 of claims on or before the bar date for filing non-governmental proofs of August 11, 2009.

15 **C. SUMMARY OF EVENTS DURING CHAPTER 11 CASE.**

16 Below is a summary of significant events during the Chapter 11 case, further details of
17 which in the applicable project billing code below.

18 1. Preparation of Debtor's schedules, attendance at Initial Debtor Interview and
19 Meeting of Creditors;

20 2. Sought and obtained authorization to use cash collateral based upon stipulation
21 with Debtor's largest secured creditor, ORIX Financial;

22 3. Sought and obtained authorization to employ Debtor's counsel, accountant,
23 realtor and appraiser;

24 4. Sought and obtained authorization to extend the exclusivity period to December
25 10, 2009; and

26 5. Began preparation of the Debtor's Plan and Disclosure Statement.

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1 **VI. PROJECT BILLING.**

2 Klein, DeNatale has included the following project billing categories in this case:

3 **A. CASE ADMINISTRATION (GENERALLY)**

4 This project billing category includes matters of a general nature that do not fit more
5 logically in another, more discrete project billing category. Also included is Applicant's
6 preparation of memoranda regarding action items in the case.

7 **Project Summary**

8 Attorneys' fees related to this project billing category are set forth and described in
9 detail in **Exhibit "B"** hereto and by this reference incorporated herein, which exhibit identifies
10 the individual professionals who performed specific services by the initials indicated below and
11 can be summarized as follows:

12 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	16.40	\$285.00	\$4,674.00
Stephen C. Pickup (SCP)	1.40	\$85.00	\$119.00

15 **B. ASSET DISPOSITION.**

16 This project billing category includes Applicant's attorneys' fees relative to the sale or
17 divesting of the Debtor's assets.

18 **Project Summary**

19 Attorney's fees related to this project billing category are set forth and described in
20 detail in **Exhibit "C"** hereto and by this reference incorporated herein, which exhibit identifies
21 the individual professionals who performed specific services by the initials indicated below and
22 can be summarized as follows:

23 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	18.50	\$285.00	\$5,272.50

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1 **C. FEES AND EMPLOYMENT APPLICATIONS.**

2 This project billing category includes Applicant's attorneys' fees related to its work
3 related to preparation of employment applications. The Debtor also required the employment
4 of an appraiser, specifically Hanna and Associates. This project billing category includes the
5 preparation of all pleadings regarding such employment, as well as preparation of all pleadings
6 relative to fee applications.

7 **Project Summary**

8 Attorney's fees related to this project billing category are set forth and described in
9 detail in **Exhibit "D"** hereto and by this reference incorporated herein, which exhibit identifies
10 the individual professionals who performed specific services by the initials indicated below and
11 can be summarized as follows:

12 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	4.40	\$285.00	\$1,254.00
Jacob L. Eaton (JLE)	3.50	\$185.00	\$647.50

15 **D. OPERATIONS.**

16 This project billing category includes Applicant's attorneys' fees related to the day-to-
17 day operations of the Debtor's business which do not fit within a more discrete project billing
18 category.

20 **Project Summary**

21 Attorney's fees related to this project billing category are set forth and described in
22 detail in **Exhibit "E"** hereto and by this reference incorporated herein, which exhibit identifies
23 the individual professionals who performed specific services by the initials indicated below and
24 can be summarized as follows:

25 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	0.80	\$285.00	\$228.00

1 **E. FINANCING AND CASH COLLECTIONS.**

2 This project billing category includes Applicant's attorneys' fees relative to obtaining
3 the Court's permission to use cash collateral which was necessary for Debtor to continue its
4 operations.

5 **Project Summary**

6 Attorney's fees related to this project billing category are set forth and described in
7 detail in **Exhibit "F"** hereto and by this reference incorporated herein, which exhibit identifies
8 the individual professionals who performed specific services by the initials indicated below and
9 can be summarized as follows:

10 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	2.40	\$185.00	\$684.00

13 **F. CLAIMS AND PLAN.**

14 This project billing category includes Applicant's attorneys' fees relative to the review
15 and analysis of creditors' claims.

16 **Project Summary**

17 Attorney's fees related to this project billing category are set forth and described in
18 detail in **Exhibit "G"** hereto and by this reference incorporated herein, which exhibit identifies
19 the individual professionals who performed specific services by the initials indicated below and
20 can be summarized as follows:

21 Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Sarah N. Stauch (SNS)	1.50	\$100.00	\$150.00

24 **G. PLAN AND DISCLOSURE STATEMENT.**

25 This project billing category includes Applicant's attorneys' fees relative to the
26 preparation of the Debtor's Plan and Disclosure Statement as well as the review of competing
27 Plans and Disclosure Statements.

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Project Summary

Attorney's fees related to this project billing category are set forth and described in detail in **Exhibit "H"** hereto and by this reference incorporated herein, which exhibit identifies the individual professionals who performed specific services by the initials indicated below and can be summarized as follows:

Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	21.90	\$285.00	\$6,241.50

VII. PROJECT BILLING SUMMARY.

A summary of all project billing categories used by Applicant in this case, including hours of professional time devoted to each category and the amount of attorneys' fees included therefore, is attached hereto as **Exhibit "I"** and by this reference incorporated herein.

VIII. BILLING SUMMARY.

In the course of its representation of the Debtor in these matters from July 24, 2009 through November 30, 2009, Klein, DeNatale has devoted in excess of 70 hours of professional time in the performance of such services, including those set forth hereinabove, and can be summarized as follows:

Professional hours expended:

Professional/Initials	Hours	Rate	Amount
Hagop T. Bedoyan (HTB)	64.40	\$285.00	\$18,354.00
Jacob L. Eaton (JLE)	3.50	\$185.00	\$647.50
Sarah N. Stauch (SNS)	1.50	\$100.00	\$150.00
Stephen C. Pickup (SCP)	1.40	\$85.00	\$119.00
Totals	70.80		\$19,270.50

IX VOLUNTARY REDUCTION OF ATTORNEYS' FEES.

In preparing this Application and reviewing time entries for services rendered by Klein, DeNatale in this case. Applicant has reduced its attorneys' fees by \$1,335.13.

X. REIMBURSEMENT OF EXPENSES.

Klein, DeNatale has also incurred expenses in the sum of \$587.34 from July 24, 2009 through November 30, 2009 as itemized in **Exhibit "J"** attached hereto and by this reference

1 incorporated herein. The amounts currently charged by Klein, DeNatale for ordinary and
2 customary expenses are as follows:

3	Automobile travel ¹ :	55¢/mile
4	Faxes:	20¢/page
5	Internal photo-copying:	20¢/page
6	Computerized research:	actual cost
7	Court reporters fees:	actual cost
8	Document storage & disposal:	actual cost
9	Filing fees:	actual cost
10	Lien searches:	actual cost
11	Long distance telephone:	actual cost
12	Messenger ² :	actual cost
13	Other travel (e.g. airfare):	actual cost
14	Outside photo-copying:	actual cost
15	Overnight delivery ³ :	actual cost
16	Parking ⁴ :	actual cost
17	Postage:	actual cost
18	Printing:	actual cost
19	Process service:	actual cost
20	UCC Searches:	actual cost
21	Witness fees:	actual cost
22	Working meals:	actual cost

14 **XI. PRIOR COMPENSATION.**

15 1. In the days prior to the commencement of this bankruptcy case, Klein,
16 DeNatale received payments from the Debtor of \$25,000.00, which was paid to Applicant as an
17 advance retainer (the "Retainer") toward attorneys' fees and costs expended during the case.
18 The source of this compensation was the Debtor. Prior to the commencement of this case,
19 Klein, DeNatale accepted \$9,151.00 as payment for pre-petition fees and expenses. The
20 balance of the Retainer as of the date of this Application is \$0. The Debtor also agreed to pay
21 Klein, DeNatale such additional attorneys' fees and expenses as may be approved by this
22 Court. This is Klein, DeNatale's second application for interim compensation. A prior request

23 ¹ No part of the automobile travel expense requested herein is attributable to travel by a professional,
24 paraprofessional or other staff members, regardless of the day of the week or time of the day, between his or her
residence and principal place of business. The mileage reimbursement rate is in conformity with the amount
allowed by the Internal Revenue Service.

25 ² Klein, DeNatale utilizes a messenger service only when circumstances warrant same day delivery or when the
article delivered is of such import that its safe and timely delivery cannot be entrusted to the United States Postal
Service.

26 ³ Klein, DeNatale Utilizes overnight delivery services only when circumstances warrant delivery faster than can be
achieved by first class mail.

27 ⁴ No part of the parking expense requested herein is attributable to parking for professionals, para-professionals or
other staff members at their principal place of business regardless of the day of the week or time of the day.

1 for compensation or reimbursement of expenses has been submitted by Klein, DeNatale for
2 attorneys' fees in the sum of \$17,047.00 and reimbursement of expenses in the sum of
3 \$2,722.95 for a total award of \$19,769.95. That prior request was granted by the Court on
4 September 11, 2009.

5 **XII. SOURCE OF COMPENSATION.**

6 The source of compensation to be paid to Applicant is cash held by the Debtor.

7 **XIII. NO SHARING OF COMPENSATION.**

8 No compensation previously received by Klein, DeNatale has been shared with any
9 other person, and no agreement or understanding exists between Klein, DeNatale and any other
10 person for the sharing of compensation received or to be received for services rendered in, or in
11 connection with, this case, except with regular members and associates of Klein, DeNatale.

12 **XIV. UNPAID CHAPTER 11 EXPENSE OF ADMINISTRATION OF CLAIMS.**

13 Other than the claim of Applicant set forth herein, there are no other unpaid Chapter 11
14 expenses of administration.

15 **XV. RELIEF REQUESTED.**

16 By this Application, Klein, DeNatale seeks both allowance and approval of payment of
17 all attorneys' fees and expenses incurred by Klein, DeNatale in its representation of the Debtor
18 from July 24, 2009 to November 30, 2009 by not yet compensated or reimbursed. Specifically,
19 Klein, DeNatale requests approval of this Chapter 11 attorneys' fees and expenses incurred
20 from July 24, 2009 to November 30, 2009 in the amount of \$19,270.50 and \$587.34,
21 respectively, for a total of \$19,857.84. After application of its Chapter 11 advance retainer of
22 \$0, the net amount prayed for by Applicant is \$19,857.84. In view of the time expended, the
23 responsibilities assumed, and the reputation and skill of Klein, DeNatale in the field of
24 bankruptcy and commercial law, Klein, DeNatale respectfully submits that the foregoing
25 represents the reasonable value of the services rendered. Klein, DeNatale believes that the
26 services rendered were necessary, and that the attorneys fees requested constitute reasonable
27 and necessary fees expended on behalf of the estate.

10 | Date: December 14, 2009

KLEIN, DE NATALE, GOLDNER, COOPER,
ROSEN LIEB & KIMBALL, LLP

By: /s/ *Hagop T. Bedoyan*

Hagop T. Bedoyan, Attorneys for Debtor-in-Possession

**CERTIFICATION REGARDING COMPLIANCE WITH GUIDELINES FOR
COMPENSATION AND EXPENSE REIMBURSEMENT OF PROFESSIONALS**

I, Hagop T. Bedoyan, am the professional designated by Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP (“Klein, DeNatale”) with the responsibility in this case for compliance with the GUIDELINES FOR COMPENSATION AND EXPENSE REIMBURSEMENT OF PROFESSIONALS AND TRUSTEES (the “Guidelines”) promulgated by this Court and I hereby certify that:

(1) I have read the foregoing application;

(2) To the best of my knowledge, information and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought herein is in conformity with the guidelines, except as follows:

(a) Klein, DeNatale has included all of its expenses on one exhibit to the Application (**Exhibit "J"**) rather than specifying expenses for each project billing category as it is not practical to separate the expenses by project billing category.

(3) The compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by Klein, DeNatale and generally accepted by Klein, DeNatale's clients;

(4) All of the time records attached to this application are accurate and were recorded in the regular and ordinary course of business contemporaneously with the services provided; and

(5) This Application was transmitted to the Debtor with the cover letter required by the Guidelines, a copy of which is attached hereto as **Exhibit "K"** and by this reference incorporated herein.

I hereby certify under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief formed after reasonable inquiry and that this declaration was executed by me at Fresno, California on December 14, 2009.

/s/ *Hagop T. Bedoyan*
Hagop T. Bedoyan